

**Guidance for**  
**Consolidated Accounts Application and the**  
**Compliance Instrument Tracking System Service (CITSS)**

***Background***

Section 95833 of the Cap-and-Trade Regulation (Regulation) requires ARB to provide a consolidated set of accounts to entities that have a direct corporate association. There is an option to not be part of a consolidated set of accounts. Entities must formally request the opt-out option. The consolidation of accounts was provided at the request of stakeholders to allow them to manage one account when they have multiple entities in the program.

**Account Consolidation and CITSS Account Application**

ARB will automatically consolidate the accounts held by entities that are part of a direct corporate relationship. A consolidated account will provide entities with a direct corporate relationship one set of accounts to manage their compliance instruments and compliance obligations. The account representatives for the Consolidated Entity Account (CEA) must submit all the account application and account consolidation information for all entities represented by the CEA. It is not necessary for all individual covered entities that are consolidated to apply for individual CITSS accounts.

Entities that have direct corporate associations may also choose to “opt-out” of consolidation and receive separate accounts for their facilities. If an entity chooses to keep separate accounts, then each entity must apply for an account in the CITSS and submit the necessary account application information.

For entities or individuals that intend to participate in the November 2012 auction, ARB recommends that CITSS account application and account consolidation documentation be submitted to ARB no later than September 15, 2012.

**Account Consolidation Requirements**

What form or information must an entity submit to provide ARB a list of corporate associates being consolidated?

All entities that have direct corporate associations are required by the Regulation to submit information on their intention to either to be represented by a CEA or to opt out. ARB is providing the Consolidated Entity Account Form to help streamline the process for account consolidation.

The entity that filed the request for the CEA will have to apply for an account in the CITSS. The entity will submit an Account Application with Attestations Form and a CITSS #3 Corporate Associations and Structure Form (CITSS Corporate Associations Form).

Using the Consolidated Entity Account Form, the entity applying for a CEA will create a list of all the entities to which it has a direct corporate association, identifying all entities by their Greenhouse Gas (GHG) Emissions Reporting ID number, if applicable.

The same entity will submit one Consolidated Entity Account Form for each entity that will be represented by the CEA. On the Consolidated Entity Account Forms submitted for each entity that will be represented by the CEA, using a different part of the Consolidated Entity Account Form, the entities will confirm that they intend to be represented by the CEA. If an entity does not anticipate establishing a separate CITSS account and has not established a Primary Account Representative (PAR) or an Alternate Account Representative (AAR) through the CITSS, then forms must be signed by the representative(s) based on the January program registration in the cap-and-trade program. In the case the representative from the January program registration is unavailable, a legal representative authorized to act on behalf of the entity may sign the form.

Additionally, the same entity will submit one CITSS Corporate Associations Form for each entity that will be represented by the CEA. As this form is generated in the CITSS account application process, for entities that will not apply for an account in the CITSS, this form is available from the CITSS web page at: <http://www.arb.ca.gov/cc/capandtrade/markettrackingsystem/markettrackingsystem.htm>. If an entity will not apply for an account in the CITSS, then the CITSS Entity ID field on this form is left blank.

Who will file information for consolidated accounts in the CITSS?

Each CITSS account must be represented by a PAR and an AAR. The PAR and AAR designated for the CEA, as well as a director or officer responsible for the conduct of the PAR and AAR must sign and submit the CITSS Account Application with Attestations Form along with the required CITSS Corporate Associations Form and the Consolidated Entity Account Form.

## **Account Consolidation and Reporting of Account Application Information**

If accounts are to be consolidated, do all corporate associations for each entity being consolidated need to be reported or only for the consolidated account?

CITSS Corporate Associations Forms must be completed for each entity to be represented by the CEA. It is recommended that the PAR or AAR for the CEA submit all of the CITSS Corporate Associations Forms together for the CEA and all entities represented by the CEA.

As the CITSS Corporate Associations Form is generated in the CITSS account application process, for entities that will not apply for an account in the CITSS, this form is available from the CITSS web page at:

<http://www.arb.ca.gov/cc/capandtrade/markettrackingsystem/markettrackingsystem.htm>.

If an entity will not apply for an account in the CITSS, then the CITSS Entity ID field on this form is left blank. In the case of a CEA, the CEA CITSS Corporate Associations Form will be generated in the CITSS, but for each entity represented by the CEA, the PAR or AAR will have to access the forms from the CITSS web page.

Do directors, officers, and persons with voting rights need to be reported for each entity represented by a CEA or only the individuals associated with the CEA?

As part of account consolidation, the account representatives for the CEA must file all of the required account application information for every entity to be represented by the CEA. Directors, officers, and persons with voting rights are reported on the CITSS Corporate Associations Form completed for each entity represented by the CEA.

During the CITSS account application process, are entities required to report the business or personal addresses for directors, officers, and those holding over 10 percent of voting rights?

There is no requirement to report the primary residence address for directors, officers, or persons holding over 10 percent voting rights. Where ARB requires personal addresses, the Regulation text will specify "primary residence address." If the Regulation says simply "address," then the responder can choose business or personal address.

## **Opting-Out of Consolidated Accounts**

If an entity that has a direct corporate association with another entity subject to the cap-and-trade program chooses to not be part of a CEA, that entity must provide the following:

- A complete and signed Consolidated Entity Account Form, including:
  - A distribution of purchase and holding limits.
  - An acknowledgement by the PAR for the CEA or other entities retaining their separate CITSS accounts of the request for an opt-out.

The entity will also need to apply for a separate account in the CITSS, including reporting any entities in the cap-and-trade program with which it has a corporate association.

## **Multiple Consolidated Accounts**

Entities with a direct corporate association may apply for more than one CEA. Each entity can only be represented by one CEA. The purchase and holding limits are shared between the CEAs representing the entities with a direct corporate association and any opt outs.

## **Account Consolidation and Allocation**

Allocation is done on a facility basis. For entities that have consolidated accounts, the allocation for the entities that are part of the CEA will be summed and placed into the Holding Accounts or Limited Use Holding Accounts of the CEA, as applicable.

## **Account Consolidation and Compliance Obligations**

Compliance obligations are calculated on a facility basis. Entities that have opted-out will still meet their compliance obligations at the facility level. For entities that have consolidated accounts, the compliance obligation for the entities that are part of the consolidation will be summed and assigned to the CEA. The operator of the CEA will have the responsibility to meet the combined obligations.

## **Consolidated Accounts and Auction Application**

If accounts are consolidated, then an account representative(s) from the CEA will apply to participate in the auction on behalf of all the consolidated entities.

Although the CITSS will allow a PAR and/or AAR to represent several entities, this capability will not be available in the auction platform for the November 2012 auction. In the November 2012 auction, a representative can only represent one entity.

Registration in the CITSS by entities with corporate associations should be completed based on an entity's intent to participate in the November auction as either (1) a single CEA or (2) as multiple accounts under the "Opt-Out" option.

#### Option I – Planned Participation as a Consolidated Account

If auction participation will include only one entity with a consolidated account, ensure that the entity participating in the auction is represented by a PAR and AAR that does not represent any other entity. The PAR and AAR may apply to participate in the auction on behalf of the CEA that represents all the consolidated entities. All representatives of the consolidated accounts will receive an invitation to participate in the auction. An auction application should be submitted only by the representatives that will participate in the auction.

#### Option II – Planned Participation with Multiple Accounts (Opt-Out)

IIa. If auction participation will include multiple entities within a corporate association, ensure that each entity with a CITSS account is represented by a different PAR and AAR. A single person as a PAR or an AAR should not represent more than one entity in the auction. All representatives will receive an invitation to participate in the auction and may submit an auction application.

IIb. Alternatively, an entity may select one entity within all the associated entities to participate in the auction. The entity should ensure that the PAR and AAR do not represent any other entity. Under this option, compliance instruments purchased in the auction can be accepted in the Holding Account of the one entity and transferred to other entities within the corporate association as needed for business needs.

#### **For more information**

Additional information may be obtained at ARB's CITSS website:

[www.arb.ca.gov/cc/capandtrade/markettrackingsystem/markettrackingsystem.htm](http://www.arb.ca.gov/cc/capandtrade/markettrackingsystem/markettrackingsystem.htm) or contact the CITSS Help Desk at 916-324-7659 or [CACITSSHelpDesk@arb.ca.gov](mailto:CACITSSHelpDesk@arb.ca.gov).